

Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1966

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BUSINESS STUDIES

BOOTS PURE DRUG COMPANY LIMITED



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Notice of Annual Ordinary General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 14th day of July, 1966, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a Dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead.
Dated this 16th day of June, 1966.

By Order of the Board,
H. T. MILNES,
Secretary.

Directors and Officers

Chairman	W. R. NORMAN
Managing Director	F. A. COCKFIELD
Deputy Managing Director	K. D. WILLIAMSON
	THE RT. HON. LORD COLERAINE, P.C.
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, M.P.S.
	G. I. HOBDAY
	SIR JAMES PITMAN, K.B.E.
	M. J. VEREY
Secretary	H. T. MILNES
Registered Office	37 STATION STREET, NOTTINGHAM
Bankers	NATIONAL PROVINCIAL BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO. Chartered Accountants, Birmingham and London

Report of the Directors

for the year ended 31st March 1966

The Directors submit their Seventy-eighth Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1966.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £15,234,357 compared with £13,932,145 for the previous year and after tax amount to £9,545,402 as against £6,437,685. The Net Profits of Boots Pure Drug Company Limited amount to £6,146,553 compared with £5,284,653.

The Directors recommend the payment of a Final Dividend of 2%, less tax, to Ordinary Shareholders on the register on 31st May, 1966. This together with the Interim Dividend already paid makes a total of 14%, less tax, for the year.

The details of Dividends paid and recommended, together with Appropriations made by the Directors, are shown in the Profit and Loss Account.

Sir James Pitman, K.B.E., retires by rotation and offers himself for re-election.

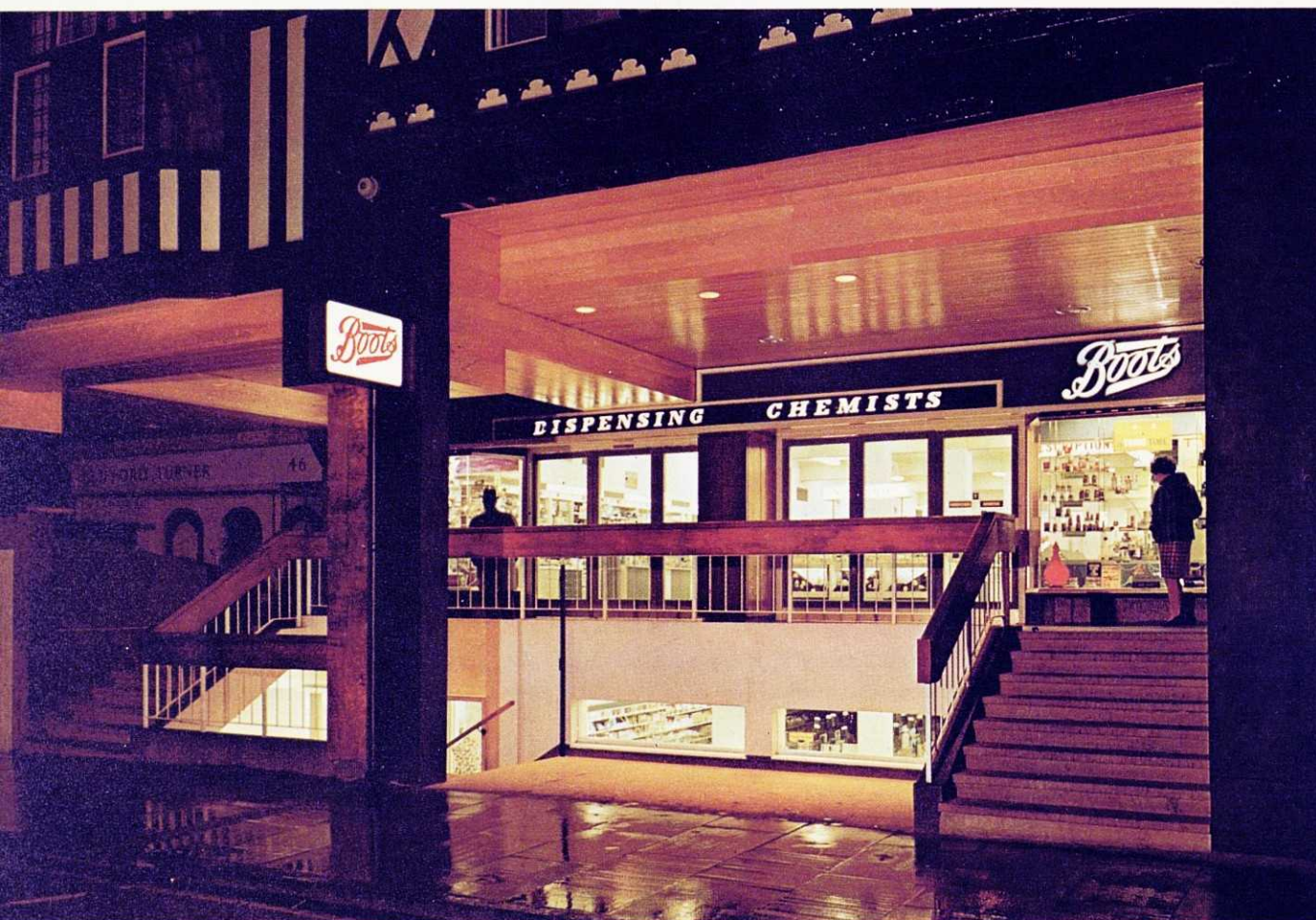
The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

By Order of the Board

H. T. MILNES, Secretary

16th June, 1966.



Upper: The Tudor front was retained on the new branch opened in Eastgate Street, Chester.
 Left: Boots first branch in Northern Ireland opened by The Rt. Hon. The Lord Mayor of Belfast in March, 1966.
 Right: An interior view of the Belfast branch showing part of the ground floor sales area.

Statement by the Chairman Mr. Willoughby R. Norman

Sales

We have had another record year for sales both at home and overseas. World sales amounted to £142,843,000 compared with £130 million in the previous year, an increase of nearly 10%.

Retail sales at home, plus both National Health Service and private dispensing, amounted to £131½ million, an increase of 10½%. This is greater than the increase in the previous year and is one of the highest increases we have recorded in recent times. Apart from temporary fluctuations business has been maintained at a consistently high level throughout, and this to a large extent reflects the continued buoyancy of the national economy together with the failure of the various measures employed to curb consumer spending. With an increase in earnings during 1965 of nearly 9% and with an average increase in retail prices of 4½% it is not surprising that retailing benefited from this large increase in spendable income, and retailing grew somewhat faster than the average of all industries. Retail sales for the country as a whole rose about 2% by volume and about 6% by value compared with the previous calendar year, but some of the increase by value was the result of taxation increases.

But the fast acceleration of our branch modernisation programme also made a notable contribution to this result, together with the increasing flow of Boots branded lines both from our own factories and from merchandise developed by our buyers in co-operation with our suppliers. Over the last 10 years our aim has been to modernise the Boots image in terms of premises, merchandise, and merchandising methods, and we believe that these developments have been welcomed by customers and staff alike.

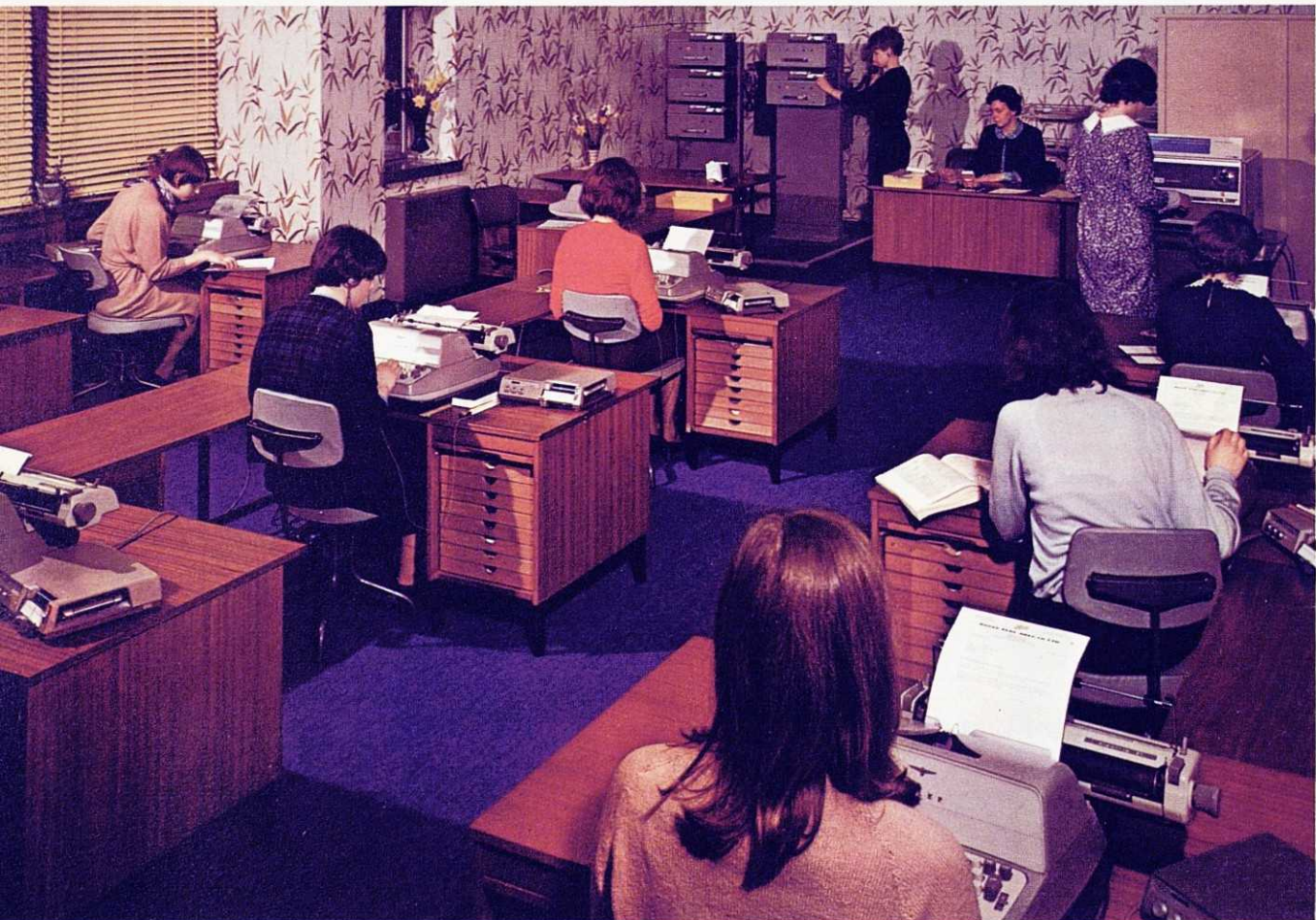
Profits and Dividend

The profits of the group before tax amounted to £15,234,357, an increase of 9.3%. This is a smaller percentage increase than we achieved in each of the two previous years, but the reasons lie in conditions in the national economy generally and are well known.

Because it has not been possible to increase prices to recoup the rise in costs, the fact of wages and salaries increasing at twice the rate of prices has inevitably brought about a squeeze on profits. Not only have we had to contend with these increases, but also big increases in national insurance contributions, rates, rents, postal charges and many other items entirely outside our control. It is perhaps a tribute to the efficiency of the organisation, manufacturing as well as retailing, that against this unpromising background the profit margin on sales shows only a small decline from 10.7% to 10.6%, which margins are much higher than in recent previous years.

Corporation Tax has been charged at 40%, the rate announced in the Budget. Net profit after Corporation Tax amounts to £9,545,402. But in looking at this figure and comparing it with the figure for the previous year, it must be borne in mind that in the normal way in future dividends must be provided gross and not net. As a result no direct comparison can be drawn with the figure for last year when tax took 53.8% as against 37.4% this year.

We decided last November, in view of the transitional provisions in the Finance Act 1965, to pay an interim dividend of 12% equal to the total dividend for the previous year. This dividend was duly paid in January. We now propose paying a final dividend of 2% making a total of 14% for the year, compared with 12% for the previous year. Had it been necessary to provide the whole of the dividend gross, as will be the position next year, it would have been covered more than 1.7 times by the available profits after Corporation Tax.



Left: The new Boots branch in Nuneaton replaces two smaller branches in the Market Place.
Right: The new branch in Coventry is sited on the corner of the pedestrian precinct—another addition to the growing number of Boots 'Big Shops'.
Lower: A Secretarial Service Centre in the offices in Station Street, Nottingham.

Statement by the Chairman—continued

Finance

Undistributed profits amount to £5,915,311 compared with £4 million for the previous year but here again any direct comparison needs to be treated with reserve because of the changes in the tax system. Depreciation charged amounts to £2,923,000 making a total cash flow of £8,838,311. Gross capital expenditure during the year was up from £7,484,000 to £8,376,000, and of this total £5½ million related to the retail side of the business and the balance of £2,876,000 to manufacture, wholesale, and overseas.

Although gross capital expenditure did not differ significantly from the amount of the cash flow, net cash balances have fallen from £2,319,000 (in hand) to £2,060,000 (overdrawn). In part this is a reflection of the rise in stocks but part of the reduction is temporary and is due to the payment of the special interim dividend of 12% in January.

Stocks have shown an increase of £2,686,000. Some of this is due to the opening of a record number of major new branches during the year and some to the creation of Boots Farm Sales. Nevertheless the percentage increase in stocks exceeds the percentage increase in sales. We cannot regard this as a satisfactory situation and measures are in hand to deal with the matter.

Retail Development

Expenditure on retail development was as stated £5½ million and with it we completed a record total of 274 modernisation schemes. This total includes 17 new branches, 98 major modernisations, and 159 smaller branches refitted under the 'Quickfit' scheme.

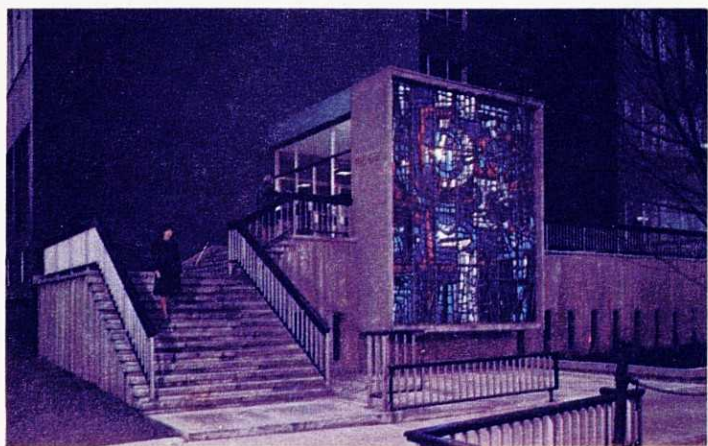
The most interesting of the new shops is in Belfast, our first chemist shop in Northern Ireland. It has made an exceptionally good start and indicates the potential business available to the company there. We have also opened major new shops in Barnstaple, Grantham, Nuneaton, Coventry, Peterborough, Warrington, Wolverhampton and Chester. They are all substantially larger than the shops they replace and they will make an important contribution to the continuing increase in our takings.

The great majority of our shops have now been modernised or work has already started on them. The remainder include a considerable proportion where difficulties due to planning consents, central area redevelopment schemes, and problems of tenure will inevitably slow down progress. Added to this is the effect, at present difficult to quantify, of building licensing not only to ourselves but to developers who provide many of the opportunities for expansion. Nevertheless we plan to spend some £4½ million this coming year on retail modernisation and development. We expect to complete some 125 schemes including the Princes Street Edinburgh branch on which work started last year, and to start work on a number of other major schemes including Manchester, Reading, Cheltenham, Lincoln, Winchester and Guernsey.

We have been able to purchase a satisfactory number of freeholds during the past year, and we have been particularly engaged upon the study and assessment of the potential available to us in London and other important areas. When all the modernisations have been completed we shall give further and special attention to coverage, and the positioning of our shops everywhere.

Retail Selling and Dispensing

As referred to above our sales increased faster than the national average. Over the Christmas period we did a very large trade and on our biggest day we took more than £1,350,000. We had a number of



Upper: A line of machines making the Boots range of tablets at one of the pharmaceutical factories at Beeston. Left: A new high-speed filling and packing machine for Freece toothpaste. Right: The decorative window in the Chemical Sciences Research Laboratories at Pennyfoot Street, Nottingham. The abstract design is based on ancient chemical symbols.

Statement by the Chairman—continued

sales drives during the year and numerous special offers. An illustration of the trade we are doing is that if every purchase made by a customer was increased by 1d. it would bring in an additional sales volume of nearly £2 million.

Both National Health Service and private dispensing increased during the year, both increasing in the same proportion. Part of this increase was due to the removal of National Health Service prescription charges on 1st February 1965 but there is also evidence that there was a higher incidence of illness during the year. In all, we are now dispensing nearly 42 million prescriptions a year.

The increase in the volume of dispensing has thrown much extra work on our managers, pharmacists and dispensing staff, and indirectly on the remainder of the staff as well. They have responded admirably to this challenge, particularly during the recent influenza epidemic.

Boots Farm Sales

I referred last year to our decision to handle the sale of agricultural products primarily through Boots Farm Sales Limited. The new organisation is now fully operational. Nine regions have been established covering all parts of the country with a total of 39 depots. Our field staff, who maintain direct contact with the farmers, now operate from these depots.

Staff Training

We welcome the general approach underlying the Industrial Training Act which confirms our own view that comprehensive training must be provided for all the various levels of staff to ensure the development of their full potential and their most effective employment in business. We have a solid background of practical experience in this field over nearly half a century. New methods and techniques of instruction are continually being evaluated and applied where appropriate.

In the manufacturing, warehousing, and administrative sides of the business the Training and Education Department has a series of 30 courses designed to cover every field of activity in addition to the normal schemes for training on the job. We also make very full use of the outside facilities available through technical colleges, universities and business training courses.

Training for retail staff is directed by a central department in Nottingham supported by territory training facilities throughout the country. The aim is to cover everybody, but special priority is given to training courses at headquarters for Managers and potential Managers, and also to training in specialist skills. For example the courses on beauty products and photographic equipment have the object of ensuring that our customers get the benefit of informed advice. This year we are developing a new scheme to provide more systematic and progressive training in the shops for new staff joining us.

Manufacturing and Warehousing

Manufacturing output for the year, valued at actual or notional factory selling price, amounted to just under £20 million. Of this total, two-thirds went to our own retail organisation and appears as part of retail sales. The remainder was sold outside the group.

During the year the new plant for the manufacture of codeine and other alkaloids was completed at a cost of £200,000 and work has started on building a new manufacturing unit for insulin and other biologicals at an estimated cost of £250,000. Work is also well advanced on doubling our soap manufacturing facilities at the Beeston factory.



Boots branded products introduced during the year.

Statement by the Chairman—continued

The growth in retail business has thrown a considerable strain on our distribution facilities and particularly on our warehouses. A major new warehouse for the distribution of toilet merchandise has now been built on the Beeston site and this will come into operation in July. This warehouse, which is computer programmed and employs new mechanical techniques, has cost just over £1 million. It will do much to ease congestion in the existing warehouses in London, Heywood and Airdrie and it will also show a significant improvement in efficiency.

Wholesale and International Sales

Home wholesale sales amounted to £4 million, virtually the same as in the previous year. There has been some further decline in contract manufacturing business as former customers set up their own manufacturing facilities, and the level of hospital sales business has been disappointing. Against this, sales of our own branded pharmaceutical products to all chemists continue to go steadily ahead and we expect an increasing contribution from our nationally advertised 'over the counter' products, the first of which, Dulsils, has now successfully been launched, and the second is in the course of test marketing.

Direct exports have increased by 7% to £2,680,000. Exports to our own subsidiaries have fallen since most of them are having to rely more and more upon local manufacture due to import controls, tariffs and other factors. We regret this loss of export business but it is due to circumstances outside our control. We have however more than made good this loss by an increase of 11% in exports to other customers.

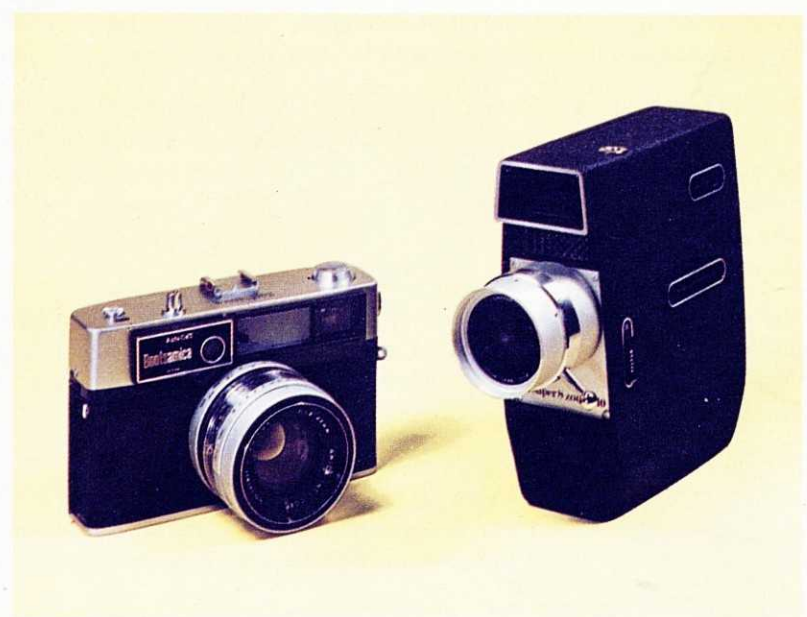
We are very conscious of the need to increase direct exports still further but we face considerable problems, many of which are peculiar to the pharmaceutical industry. In addition to the difficulties posed by price and import controls in many overseas markets, there are frequently official requirements for registration of products, approval of therapeutic claims, and label wording. These formalities, which differ from one country to another, lead to considerable complications, expenses and delay.

Sales of our overseas companies increased by 4% to nearly £4½ million. Profits were £472,000 compared with £495,000 for the previous year. We have had to face special problems in India and Australia. In India the new insulin plant has now been commissioned but this has resulted in a heavy charge for depreciation in the year which has not yet been offset by increased sales and profits. In Australia the severe and widespread drought has affected business generally and we have suffered in common with other people.

The Australian Company's new factory, warehouse and office building at North Rocks, Sydney, was completed in December and is now in production. The building has been designed to provide adequate facilities for further expansion. Despite the difficulties of the current year, to which I have referred, we regard the long term prospects in Australia as very promising.

The issue of 40% of the equity capital of our Indian Company to Indian investors (which was a condition imposed when the licence to manufacture insulin in India was granted) took place in December. The issue was over-subscribed, and though the capital market in India has been difficult for a number of years the success of this public issue is perhaps a tribute to our standing in India.

Good progress has been made on the Pakistan Company's new factory at Korangi, near Karachi, and production is expected to start later this year.



Further introductions.

The Selective Employment Tax

Although represented as a tax on services, the proposed Selective Employment Tax is in fact a tax on all goods and services. It differs from Purchase Tax only in the wideness of the field it covers. The cost of distribution is just as much part of the cost of the finished product to the customer as the cost of manufacture, and the attempt to distinguish between these two elements in cost has no basis either in logic or in fact.

The tax payable by the Company will be substantial although not as formidable as it would have been had we been entirely a retail concern. As it is we shall receive 'premiums' in respect of our manufacturing activities which will go some way to offset the liability in respect of the remainder of our business. We shall do what we can to absorb the tax by higher productivity, but the scope is limited. Over the last eight years our total staff has increased, in full-time equivalents, by less than 800 persons or 2%, and yet during this period our turnover has increased by nearly 80%. While this improvement will continue, there is clearly no possibility of any substantial reduction in staff numbers. Moreover, in so far as numbers can be reduced this is likely to result in squeezing out part timers and married women who will be lost to the labour force altogether. Thus even if the tax is to a limited degree effective in reducing the numbers employed in distribution it will fail to achieve its objective of increasing industrial manpower.

Inevitably the tax will increase prices. To the extent that we cannot meet it by increased productivity the tax must be passed on in higher prices in just the same way as Purchase Tax. We regret this further twist to the prices spiral but the responsibility rests entirely with the Government.

To suggest that this tax is merely raising £240 million in revenue gives no indication of the gigantic operation involved. In fact what is proposed is that in an arbitrary fashion one agency of the Government will collect £1,130 million in tax and another agency of the Government will hand out £890 million in subsidies and repayments. As a means of collecting £240 million of revenue and achieving a doubtful redistribution of labour with no contribution to the cause of greater productivity, this is a peculiar way of proceeding.

Conclusion

On behalf of the Board of Directors I should like to thank all members of the staff at home and overseas for their efforts during the year under review. The fact that once again in a year which has not been without its difficulties we have been able to achieve new records in sales and profits is a real tribute to the devotion and hard work of all members of our staff. Equally we are grateful to our suppliers and agents in all parts of the world who contribute so much to the success of our effort.

In my statement last year I said that we were confident about the year which has just finished, but that longer-term prognostication was not possible because of the large number of variables. Even though a year has passed I must still adhere to this view. The outlook for 1966/67 must be affected by any reduction of consumer spending power, and the elimination of the national deficit may mean a slow rate of economic progress. The Selective Employment Tax creates further uncertainties, and the squeeze on profits is likely to continue. Nevertheless your company is well placed to take advantage of opportunities and is resilient in times of difficulty.

Report of the Auditors

to the Members of Boots Pure Drug Company Limited

We have audited the Balance Sheet on pages 18 and 19 and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith. We have examined the Consolidated Balance Sheet on pages 16 and 17 and the Consolidated Profit and Loss Account on page 15. The accounts of certain Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on pages 20, 21 and 22 comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1966, and a true and fair view of the state of affairs and of the profit of the Group.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

BIRMINGHAM & LONDON

10th June, 1966.

Dates and Facts to note

Dividend and Interest Payments

Ordinary dividends	Interim	<i>Announced early November. Paid early January.</i>
	Final	<i>Proposed mid May. Paid mid July.</i>
Loan Stock interest		<i>Paid end June, September, December and March.</i>

Results

First half-year results	<i>Announced early November.</i>
Results for the year	<i>Announced mid May.</i>
Report and Accounts	<i>Circulated mid June.</i>

For Capital Gains Tax purposes the market value of Boots Ordinary Shares on 6th April, 1965 was 16s. 0d. and of the 6% Loan Stock 90 $\frac{3}{8}$.

Consolidated Profit and Loss Account

for the year ended 31st March 1966

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March, 1966 and of the Overseas Subsidiaries for the year ended 31st December, 1965)

	1966		1965	
	£	£	£	£
Profits of Boots Pure Drug Company Limited and of its Subsidiaries (<i>Note 1</i>)				
before charging Profit Earning Bonus for Staff		16,649,570		15,226,388
<i>Deduct</i> Profit Earning Bonus for Staff		1,415,213		1,294,243
		<u>15,234,357</u>		<u>13,932,145</u>
Consolidated Profits before Tax		15,234,357		13,932,145
<i>Deduct</i> Tax on Profits of the year (<i>Note 2</i>)		5,688,955		7,494,460
		<u>9,545,402</u>		<u>6,437,685</u>
<i>Add</i> Profit for earlier years <i>less</i> United Kingdom Taxation thereon		—		419,949
		<u>9,545,402</u>		<u>6,857,634</u>
Consolidated Profits after Tax		9,545,402		6,857,634
<i>Deduct</i> Profit attributable to Minority Shareholders of a Subsidiary Company		889		—
		<u>9,544,513</u>		<u>6,857,634</u>
Net Profits of the Group				
Profits retained in Subsidiaries	3,397,960		1,572,981	
Profits of Boots Pure Drug Company Limited	6,146,553		5,284,653	
	<u>9,544,513</u>		<u>6,857,634</u>	
Dealt with as follows				
Dividends (Gross) for the year—				
On Preference and Preferred Ordinary Shares	—		96,750	
On Ordinary Shares—				
Interim of 12% (already paid)	4,608,000		1,536,000	
Final Dividend of 2% making a total of 14% (<i>1965 total 12%</i>)	768,000		3,072,000	
	<u>5,376,000</u>		<u>4,704,750</u>	
<i>Less</i> retainable tax deducted from dividends	1,746,798		1,899,891	
	<u>3,629,202</u>		<u>2,804,859</u>	
Profits retained in the Group and included in Revenue Reserves—				
Subsidiaries	3,397,960		1,572,981	
Boots Pure Drug Company Limited	2,517,351		2,479,794	
	<u>5,915,311</u>		<u>4,052,775</u>	
		<u>£9,544,513</u>		<u>£6,857,634</u>

Consolidated Balance Sheet 31st March 1966

(Incorporating United Kingdom Subsidiaries as at 31st March 1966 and Overseas Subsidiaries as at 31st December 1965)

SHAREHOLDERS' FUNDS AND LIABILITIES		1966		1965	
		£	£	£	£
Capital of Boots Pure Drug Company Limited, Issued and Fully Paid					
	Ordinary Shares of 5/- each	38,400,000		38,400,000	
Capital Reserves		14,160,772		13,736,958	
Revenue Reserves		17,605,127		11,664,299	
		<hr/>		<hr/>	
		70,165,899		63,801,257	
6% Loan Stock 1978-83		2,065,866		2,065,866	
Interest of Minority Shareholders in Subsidiary Companies		233,462		5,307	
Provisions:					
	Pensions	927,426		927,426	
	Corporation Tax payable 1st January, 1967	5,411,690		—	
	Income Tax payable 1st January, 1966	—		5,078,600	
	Deferred Tax in respect of Capital Expenditure	1,659,107		1,577,755	
		<hr/>		<hr/>	
		7,998,223		7,583,781	
Current Liabilities:					
	Trade Creditors and Apportionments	14,624,940		16,502,262	
	Amount due to Bankers	2,628,862		172,396	
	Final Dividend (Gross) on Boots Pure Drug Co. Ltd. Ordinary Shares (1965 Net)	768,000		1,804,800	
		<hr/>		<hr/>	
		18,021,802		18,479,458	
		<hr/>		<hr/>	
		£98,485,252		£91,935,669	
		<hr/>		<hr/>	

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS

1966

1965

£ £ £ £

Fixed Assets:	Properties as independently valued or at Cost (<i>Note 9</i>):		
	Freeholds	37,324,395	35,337,060
	Leaseholds	13,169,594	11,854,579
	Fittings and Plant at Cost	30,959,003	27,786,618
		81,452,992	74,978,257
	<i>Less Provision for Depreciation and Amortisation:</i>		
	Freeholds	2,620,642	2,014,651
	Leaseholds	1,708,885	1,428,208
	Fittings and Plant	13,713,157	12,873,614
		18,042,684	16,316,473
		63,410,308	58,661,784
Investments	Trade Investments at Cost, <i>less</i> amounts written off	9,725	10,702
Differences arising on consolidation	through accounting years of Holding Company and Overseas Subsidiaries not ending on the same date	86,997	37,296
Current Assets:	Stock-in-Trade	26,523,861	23,837,740
	Trade Debtors and Apportionments, <i>less</i> provision	7,885,665	6,897,071
	Cash at Bankers and in hand	568,696	2,491,076
		34,978,222	33,225,887
		£98,485,252	£91,935,669

W. R. NORMAN
F. A. COCKFIELD | *Directors*

Balance Sheet 31st March 1966

SHAREHOLDERS' FUNDS AND LIABILITIES

		1966		1965	
		£	£	£	£
Capital Authorised	Ordinary Shares of 5/- each	50,000,000		50,000,000	
Capital Issued and Fully Paid	Ordinary Shares of 5/- each	38,400,000		38,400,000	
Capital Reserve		3,308,922		3,251,434	
Revenue Reserve		8,344,211		5,708,007	
		50,053,133		47,359,441	
6% Loan Stock 1978-83		2,065,866		2,065,866	
Provisions:					
	Pensions	507,426		507,426	
	Corporation Tax payable 1st January, 1967	2,493,550		—	
	Income Tax payable 1st January, 1966	—		4,175,000	
	Deferred Tax in respect of Capital Expenditure	827,802		917,097	
		3,828,778		5,599,523	
Current Liabilities:					
	Trade Creditors and Apportionments	12,012,343		13,088,804	
	Amount due to Bankers	2,110,837		—	
	Amounts due to Subsidiaries	5,800		5,600	
	Final Dividend (Gross) recommended on Ordinary Shares (1965 Net)	768,000		1,804,800	
		14,896,980		14,899,204	
		<u>£70,844,757</u>		<u>£69,924,034</u>	

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS

1966

1965

£ £ £ £

Fixed Assets:	Properties as independently valued or at Cost (<i>Note 9</i>):		
	Freeholds	18,041,528	17,525,849
	Leaseholds	1,247,137	1,246,092
	Fittings and Plant at Cost	14,101,599	13,369,388
		33,390,264	32,141,329
	Less Provision for Depreciation and Amortisation:		
	Freeholds	2,292,994	1,975,719
	Leaseholds	282,869	257,833
	Fittings and Plant	8,676,874	8,190,192
		11,252,737	10,423,744
		22,137,527	21,717,585
Investments:	Ordinary Shares in Subsidiaries at par, <i>less</i> provision	10,639,887	10,531,545
	Loans to Subsidiaries	9,592,000	9,642,000
	Trade Investments at Cost, <i>less</i> amounts written off	225	50
		20,232,112	20,173,595
Current Assets:	Amounts due by Subsidiaries	11,612,611	10,991,044
	Stock-in-Trade	11,244,282	10,319,539
	Trade Debtors and Apportionments, <i>less</i> provision	5,473,687	4,978,312
	Cash at Bankers and in hand	144,538	1,743,959
		28,475,118	28,032,854
		£70,844,757	£69,924,034

W. R. NORMAN
F. A. COCKFIELD

Directors

Notes on the Group Accounts

these form part of the Accounts

1 (a)

The Group Profits have been arrived at after taking credit for Income from Trade Investments £1,300 (~~£884~~) and after charging the following expenses:

	1966	1965
	£	£
Depreciation of Properties	1,055,539	964,159
Depreciation of Fittings and Plant	1,867,648	1,568,409
	<u>2,923,187</u>	<u>2,532,568</u>
Loan Stock Interest	123,952	123,952
Remuneration of Auditors	13,884	13,180
Companies' Payments to Pension Funds: Ordinary Contributions	860,271	842,421
Annual Payments for past service	126,259	109,079

(b)

The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

	1966	1965
	£	£
Directors' Fees	10,500	10,150
Other emoluments, including contributions under approved Pension Schemes	213,861	221,028
Pension paid to a past Director	1,000	1,000
	<u>£225,361</u>	<u>£232,178</u>

2 (a)

The amount charged for taxation consists of:

	1966	1965
	£	£
U.K. Corporation tax at 40%	5,475,690	—
U.K. Profits tax	15,817	1,939,251
U.K. Income tax	(46,422)	5,042,455
	<u>5,445,085</u>	<u>6,981,706</u>
<i>Deduct</i> Double taxation relief	64,000	95,079
	<u>5,381,085</u>	<u>6,886,627</u>
Transfer to provision for deferred tax	231,759	379,294
	<u>5,612,844</u>	<u>7,265,921</u>
Total U.K. taxes	5,612,844	7,265,921
Overseas tax	230,139	281,323
	<u>5,842,983</u>	<u>7,547,244</u>
<i>Deduct</i> adjustment for previous years	154,028	52,784
	<u>£5,688,955</u>	<u>£7,494,460</u>

(b)

Investment allowances have reduced the tax charge by £525,000 (~~£705,000~~).

(c)

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by Overseas Subsidiaries.

(d)

Deferred tax provision represents taxation on the excess of Capital Allowances (other than Investment Allowance) over the comparative depreciation charged against profits. The reduction in the provision resulting from the change to corporate taxation has been credited to Revenue Reserves.

3.

The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1966.

4.

The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.

5.

The overdrafts of certain Overseas Subsidiaries amounting to £326,757 at 31st December, 1965, were secured on the stock-in-trade of the Subsidiaries.

6.

Movements of the Reserves since 31st March, 1965, are as follows:

	Consolidated		Boots Pure Drug Co. Ltd.	
	Capital	Revenue	Capital	Revenue
	£	£	£	£
At 31st March, 1965	13,736,958	11,664,299	3,251,434	5,708,007
<i>Add:</i>				
Undistributed profits from Profit and Loss Account	—	5,915,311	—	2,517,351
Transfer from Deferred Tax Provision	—	150,407	—	118,853
Surplus on sales of properties	328,691	—	23,133	—
Transfer of Reserves	49,891	(49,891)	—	—
Surplus on a property revaluation (Far East)	9,384	—	—	—
Scrip Issue of shares (Far East)	—	—	28,045	—
Surplus on a liquidation (Fiji)	6,310	(6,310)	6,310	—
Premium on Share Issue (India)	71,578	—	—	—
	<u>14,202,812</u>	<u>17,673,816</u>	<u>3,308,922</u>	<u>8,344,211</u>
<i>Deduct:</i>				
Reserves attributable to Minority Interests in Overseas Subsidiaries (India and Pakistan)	42,040	68,689	—	—
At 31st March, 1966	<u>£14,160,772</u>	<u>£17,605,127</u>	<u>£3,308,922</u>	<u>£8,344,211</u>

7.

The approximate amounts approved by the Directors in respect of capital expenditure not provided for in these accounts are as follows:

	Group	Boots Pure Drug Co. Ltd.
	£	£
Contracts placed	6,428,000	3,619,000
Contracts not placed	1,129,000	47,000
	<u>£7,557,000</u>	<u>£3,666,000</u>

8.

Boots Pure Drug Company Limited is not a 'close company' under the Finance Act 1965.

Notes on the Accounts—continued

9.

Summary of Fixed Assets showing revalued properties at valuation with subsequent additions at cost. Properties not revalued are at cost.

GROUP	Gross Book Value 31st March 1965 £	Additions £	Disposals £	Gross Book Value 31st March 1966 £	Accumulated Depreciation £	Net Book Value 31st March 1966 £
Freeholds:						
Revalued 1958	10,482,811	37,935	64,666	10,456,080	1,929,338	8,526,742
Revalued 1965	22,362,616	815,039	342,709	22,834,946	339,488	22,495,458
Not Revalued	2,491,633	1,542,853	1,117	4,033,369	351,816	3,681,553
Total Freeholds	35,337,060	2,395,827	408,492	37,324,395	2,620,642	34,703,753
Leaseholds:						
Revalued 1958	981,974	14	—	981,988	178,889	803,099
Revalued 1965	8,265,948	926,785	9,938	9,182,795	242,559	8,940,236
Not Revalued	2,606,657	517,675	119,521	3,004,811	1,287,437	1,717,374
Total Leaseholds	11,854,579	1,444,474	129,459	13,169,594	1,708,885	11,460,709
Fittings and Plant	27,786,618	4,535,419	1,363,034	30,959,003	13,713,157	17,245,846
TOTAL FIXED ASSETS	£74,978,257	£8,375,720	£1,900,985	£81,452,992	£18,042,684	£63,410,308
BOOTS PURE DRUG CO. LTD.						
Freeholds:						
Revalued 1958	10,447,099	37,555	42,807	10,441,847	1,927,853	8,513,994
Revalued 1965	5,257,541	16,078	54,607	5,219,012	52,068	5,166,944
Not Revalued	1,821,209	560,575	1,115	2,380,669	313,073	2,067,596
Total Freeholds	17,525,849	614,208	98,529	18,041,528	2,292,994	15,748,534
Leaseholds:						
Revalued 1958	966,354	14	—	966,368	173,543	792,825
Revalued 1965	134,000	—	—	134,000	2,863	131,137
Not Revalued	145,738	1,031	—	146,769	106,463	40,306
Total Leaseholds	1,246,092	1,045	—	1,247,137	282,869	964,268
Fittings and Plant	13,369,388	1,120,891	388,680	14,101,599	8,676,874	5,424,725
TOTAL FIXED ASSETS	£32,141,329	£1,736,144	£487,209	£33,390,264	£11,252,737	£22,137,527

Included in the Group Total Leaseholds at Net Book Value is £5,931,033 for leases with 50 years or more to run. The corresponding figure for Boots Pure Drug Co. Ltd. is £849,149.

The Ten Year Record

This table expresses in figures the progress made by Boots at home and overseas in the last ten years

in thousands of £'s

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
World Sales	73,692	80,302	83,858	90,615	99,690	106,624	111,117	119,304	129,976	142,843
Profits before Tax	4,433	5,057	4,998	7,561	8,826	9,271	9,645	11,597	13,932	15,234
Profits after Tax	1,841 136*	2,095	2,442	3,826	4,263	4,340	4,601	5,446	6,438 420*	9,545 †
Gross Preference Dividend	97	97	97	97	97	97	97	97	97	—
Gross Ordinary Dividend	1,638	1,843	2,048	2,688	3,072	3,072	3,328	3,840	4,608	5,376
Income Tax Retained	737	824	864	1,080	1,228	1,228	1,328	1,526	1,900	1,747
Net Undistributed Profits	962	968	1,150	2,118	2,322	2,399	2,504	3,035	4,053	5,915
Depreciation Charged	1,086	1,369	1,468	1,593	1,760	1,839	1,994	2,240	2,533	2,923
Cash Flow	2,048	2,337	2,618	3,711	4,082	4,238	4,498	5,275	6,586	8,838
Capital Expenditure (Gross)	2,439	2,454	2,759	3,047	3,410	4,373	5,110	4,842	7,484	8,376
Capital Employed	27,819	41,900	42,944	46,220	48,832	51,468	54,177	58,132	73,456	80,463
Profits as % of Capital employed	16.4%	12.4%	11.9%	16.6%	18.3%	18.3%	18%	20.2%	19.1%	19.1%
Ordinary Capital	10,240	10,240	12,800	12,800	25,600	25,600	25,600	25,600	38,400	38,400
Ordinary Dividends %	16%	18%	16%	21%	12%	12%	13%	15%	12%	14%
Equivalent % allowing for Scrip Issues	4.3%	4.8%	5.3%	7%	8%	8%	8.7%	10%	12%	14%
Amount of Profit Earning Bonus	297	415	464	702	820	861	896	1,077	1,294	1,415
Number of Staff in United Kingdom (full-time equivalents)	37,154	39,039	39,345	39,344	39,606	40,181	39,936	39,473	39,401	39,824
Number of Branches	1,318	1,310	1,313	1,307	1,305	1,298	1,290	1,284	1,270	1,268

* Profits attributable to earlier years. † After Corporation Tax (40%)

The figures of sales represent sales to persons outside the Group; sales by Overseas Subsidiaries are included but sales by the Home Companies to the Overseas Companies are excluded.

To give a true comparison, the profit figures have been adjusted for all years to the basis now employed. No deduction has been made for Loan Stock or for provisions in computing capital employed. Similarly, in arriving at profit as a percentage of capital employed, Loan Stock interest has not been deducted. The figures reflect the results of the property revaluations in 1958 and 1965 and the redemption of the Preference Shares at 31st March, 1965. The ordinary capital reflects the scrip issues in the years to 31st March, 1959 (one for four), 1961 (one for one), and 1965 (one for two).

Principal active Subsidiary and Associated Companies

Wholly owned except as otherwise indicated

Incorporated in United Kingdom:

Boots The Chemists (Eastern) Ltd.
Boots The Chemists (Lancashire) Ltd.
Boots The Chemists (Western) Ltd.
Boots The Chemists (Southern) Ltd.
Boots The Chemists (Northern) Ltd.
Boots Farm Sales Ltd.
Boots-Ketjen Ltd. (60%)
British Saccharin Sales Ltd. (50%)

Incorporated overseas:

New Zealand	Boots The Chemists (New Zealand) Ltd.
South Africa	B.P.D. Manufacturing (Pty.) Ltd.
South Africa	B.P.D. (South Africa) (Pty.) Ltd.
India	Boots Pure Drug Co. (India) Ltd. (60%)
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd. (51%)
Australia	Boots Pure Drug Co. (Australia) Pty. Ltd.
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.
Singapore	Boots Pure Drug Co. (Far East) Ltd.
Italy	Boots-Formenti S.p.A. (55%)





BOOTS PURE DRUG COMPANY LIMITED